

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 OES-05 AID-05 ERDA-07 NSC-05

SS-15 SP-02 INT-05 IO-10 OMB-01 TRSE-00 CIAE-00

INR-07 NSAE-00 XMB-04 L-03 EA-09 EUR-12 /108 W

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R 221430Z OCT 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 2688

USDOC

UNCLAS JIDDA 7105

E.O. 11652: N/A

TAGS: BEXP, EFIN

SUBJECT: PERFORMANCE BONDS; DESALINATION PROJECTS

1. SAMA RESPONSE TO POSSIBILITY OF ACCEPTING SURETY BOND OF A SURETY COMPANY IN LIEU OF BANK GUARANTEES RE PERFORMANCE BONDING WAS ONE OF CONSTERNATION AND AMAZEMENT. SAME WILL ACCEPT REVOCABLE LETTERS OF CREDIT FROM BANKS ON THEIR LIST OF REPUTABLE INSTITUTIONS, BUT ANY RESORT TO A DEVICE SUCH AS SURETY BONDING WOULD REQUIRE NEW PROCEDURES WHICH WOULD NEED, ULTIMATELY, TO BE GUARANTEED BY THE SAME BANKS. EMBOFF WILL FOLLOW UP WITH YUSEF ABDULHAMID MANSOUR, SAMA SUPERVISOR OF LETTERS OF CREDIT DEPARTMENT, IN THE HOPE THAT SOME KIND OF NEW ARRANGEMENTS MIGHT BE WORKED OUT, BUT SUCH AN EVENT WILL BE FAR IN THE FUTURE, IF EVER.

2. EMBOFF WAS PRESENT DURING REPORTED CONVERSATION BETWEEN O'MEARA AND ADNAN SAMAN. SAMAN ACTUALLY ONLY SAID, IN EFFECT: "SURE, WE WILL ACCEPT ANYTHING IF THE MINISTRY OF FINANCE APPROVES IT." HE WAS IN NO WAY MAKING A STATEMENT CONCERNING EXISTING OPERATIONAL ARRANGEMENTS, BUT WAS RESPONDING TO A GOOD BIT OF ORAL PRESSURE.

3. DEPARTMENT WOULD BE WELL ADVISED TO COUNSEL VISITING OFFICIALS AGAINST MAKING THIS KIND OF LEAPING JUDGMENT.

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THE RESULT IS ALMOST ALWAYS HARD FEELINGS ON THE PART OF

THE SAUDIS, WHOSE POLITENESS GENERALLY KEEPS THEM
FROM SIMPLE, IRREVOCABLE NEGATIVES.

4. ANOTHER EXAMPLE OF MISUNDERSTANDING IN THIS AREA IS
THE RECENT STATEMENT MADE BY PRINCE MOHAMMED BIN FAYSAL
THAT PERFORMANCE BOND REQUIREMENTS WILL BE REDUCED FROM
10 TO 5 PERCENT. ALTHOUGH JIDDA'S 5678 CLEARLY STATED
THAT SUCH AN ACTION HAS NOT TAKEN PLACE AND IS UNLIKELY
TO IN THE IMMEDIATE FUTURE, WE UNDERSTAND FROM VARIOUS
BUSINESS VISITORS THAT THE USG IS PASSING ON THE 5
PERCENT FIGURE AS GOSPEL. REQUEST DEPARTMENT CIRCULATE
THE FACT THAT 5 PERCENT IS STILL, AT THIS TIME, A WISH
FIGURE IN THE MIND OF PRINCE MOHAMMED; IT IS BY NO MEANS
A REALITY.

5. EMBASSY IS VERY CONCERNED ABOUT BID BOND SITUATION.
WE CONTINUE TO BELIEVE, HOWEVER, THAT THE PROBLEM MUST
ESSENTIALLY BE SOLVED IN WASHINGTON: EX-IM BANK OR OTHER
AGENCY NEEDS TO FIND SOME WAY OF PROVIDING COVERAGE OF
THE MAGNITUDE INVOLVED. IF USG DOES NOT MANAGE TO DO SO
WE ARE CONVINCED THAT BULK OF DESALINATION BUSINESS WILL
GO TO GERMANS/BRITISH/JAPANESE.AKINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BONDS (SECURITIES), DESALINATION, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 22 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JIDDA07105
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750367-0712
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751029/aaaaazzo.tel
Line Count: 83
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 08 OCT 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 OCT 2003 by MaustMC>; APPROVED <18 FEB 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PERFORMANCE BONDS; DESALINATION PROJECTS
TAGS: BEXP, EFIN, SAMA
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006